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E.O. 12958: DECL: 04/01/2018
TAGS: [ECON](#) [EINV](#) [ETRD](#) [SI](#)
SUBJECT: HARRAHQS INVESTMENT PLAN FALLS THROUGH

Classified by: CDA Maryruth Coleman for reasons 1.4(b) and (d)

REF: A. Ljubljana 731

¶1. (C) On March 31, an advisor to HarrahQs Entertainment informed Charge that HarrahQs has ended its efforts to develop an entertainment/casino center in western Slovenia with the Slovenian state-owned gaming company Hit. HarrahQs executives sent private letters on March 31 to Prime Minister Jansa and other top officials informing them of the decision. According to the advisor, the primary stumbling block was that HarrahQs and Hit could not agree on an ownership/management structure that would give HarrahQs the management control it required to move forward with the joint venture. The advisor emphasized that HarrahQs is not blaming anyone and believes that the Slovenian Government (GOS) negotiated in good faith, though she opined that from the beginning Hit employees felt threatened by the project and blocked organizational compromises by Hit that were necessary for the deal to go forward. The advisor said HarrahQs would not comment publicly on the termination of negotiations and hoped to keep the news low profile. (Note: The matter has not hit the local press as of April 1. End Note.)

Comment

¶2. (SBU) Foreign investment (FDI) has been on the decline in Slovenia in recent years and the failure of the HarrahQs JV reflects many of the reasons behind this trend. HarrahQs proposed one billion dollar investment into the entertainment project promised to bring over 500 new jobs and attract a thousand additional visitors per day to the Nova Gorica region of western Slovenia. But Hit employees felt that their company would be hurt by participating in the joint venture and that their jobs were at risk, and they used the media and their influence with local political and social leaders to stir up regional fears that the project would result in overcrowding of the roads, social problems due to gambling and an influx of foreign employees to work in the hotel/casino. They skillfully mobilized the Catholic Church and NGOs to oppose the project. HarrahQs tried to counteract those fears with town-hall meetings with local residents, but the company only made modest progress in changing attitudes and Hit had no interest in seeking to change these views because Hit feared the competition that the JV would bring.

¶3. (C) Prime Minister Jansa consistently expressed support for the joint venture, but the GOS did not actively promote the project publicly. Over the past months, political

jostling has intensified in anticipation of the fall 2008 parliamentary elections, and the center-right GOS became increasingly unwilling to push the HarrahQs project in the face of regional opposition to foreign investment. During the last three and a half years, HarrahQs and the Embassy have worked hard to dispel ungrounded fears and misinformation and stress the many benefits of U.S. investment, but entrenched Slovene mistrust of foreign investment won the day.

¶4. (SBU) It will take some time to convince conservative Slovenians that rejecting foreign investment will hurt their economy over the longer run. We are continuing to work with pro-investment interlocutors here to change these short-sighted views but if Slovenia elects a center-left government in the fall elections, our task will likely be more difficult. End Comment.

COLEMAN